

Message Text

CONFIDENTIAL

PAGE 01 KABUL 02915 101531Z

46

ACTION NEA-09

INFO OCT-01 ISO-00 EUR-12 EB-07 AGR-05 AID-05 CIAE-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PRS-01 PA-01 /096 W

----- 091208

R 080400Z MAY 75

FM AMEMBASSY KABUL

TO SECSTATE WASHDC 2488

AMEMBASSY TEHRAN

INFO USDOC WASHDC

AMEMBASSY ISLAMABAD

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

C O N F I D E N T I A L KABUL 2915

EO 11652: GDS

TAGS: EAID, EALR, AF, IR

SUBJECT: DAOUD'S TRIP TO IRAN: BRINGING HOME THE BACON

REF: A) KABUL 4681; B) KABUL 2862; C) EALR

1. SUMMARY: NINE MONTHS AFTER THE SIGNING OF THE IRANIAN-
AFGHAN ASSISTANCE PROTOCOL, PRESIDENT DAOUD'S TRIP TO TEHRAN
PROVIDED PLEASANT ATMOSPHERICS AT THE HEAD OF STATE LEVEL,
AND SOLID EVIDENCE OF IRANIAN COMMITMENT TO AFGHAN DEVELOPMENT
AT THE WORKING LEVEL. A MEMORANDUM OF UNDERSTANDING IMPLEM-
ENTING THE PREVIOUS PROTOCOL COMMITTED IRAN TO PROVIDING
APPROXIMATELY \$719 MILLION IN LOANS "UNDER EASY TERMS." THIS
MONEY IS RELATED TO SPECIFIC PROJECTS WHICH HAVE ALREADY BEEN
STUDIED FOR COST AND FEASIBILITY AND ACCEPTED BY THE IRANIAN
GOVERNMENT. THE MEMORANDUM SPECIFIES THAT IRAN WILL IN THE
FUTURE PROVIDE FINANCING FOR FURTHER PROJECTS, BOTH THOSE
CITED IN THE PROTOCOL AND NEW ONES, INCLUDING THE RAILROAD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KABUL 02915 101531Z

WHICH IS ESTIMATED TO COST AROUND \$500 MILLION BY ITSELF.

EARLY ESTIMATES OF A \$2 BILLION AID PACKAGE NOW APPEAR
QUITE REALISTIC. END SUMMARY.

2. A MEMORANDUM OF UNDERSTANDING ON THE BASIS OF THE IRANIAN
AID PROTOCOL OF JULY, 1974 WAS SIGNED IN TEHRAN ON APRIL 29,
1975 BY AFGHAN MINISTER OF PLANNING KHURRAM AND IRANIAN
COMMERCE MINISTER MEHDAVI. THIS MEMORANDUM NOTES AGREEMENTS
FOR (A) A \$700 MILLION LOAN FOR DEVELOPMENT OF THE LOWER
HELMAND RIVER BASIN, PAVING OF THE SECOND HALF OF THE ADB-
FINANCED ROAD ALONG THE HELMAND RIVER, AND ITS EXTENSION
INTO IRAN, AND AT LEAST SIX INDUSTRIAL PROJECTS; (B) A \$10
MILLION LOAN FOR THE ESTABLISHMENT OF AN EXPORT PRO-
MOTION
BANK; (C) A \$2.5 MILLION LOAN TO ASSIST IN EQUIPPING THE
WORLD BANK-FINANCED FLIGHT INFORMATION CENTER IN KABUL; AND
(D) A LOAN TO PROVIDE 200 LARGE AND 18 SMALL IRANIAN-MADE
MERCEDES BUSES, WORTH ABOUT \$6.5 MILLION. IN ADDITION, THE
MEMORANDUM NOTED THAT "IRAN HAS AGREED TO PROVIDE AFGHANISTAN
FINANCIAL AID"
FOR THE RAILROAD PROJECT AND OTHER PROJECTS
ENVISAGED IN THE 1974 PROTOCOL AS WELL AS NEWLY PROPOSED
PROJECTS, FOLLOWING COMPLETION OF TECHNICAL AND ECONOMIC
FEASIBILITY STUDIES. TENTATIVE CONSERVATIVE ESTIMATES OF
THE COST FOR THE RAILROAD PROJECT RANGE FROM \$400 MILLION
TO \$600 MILLION, AND AMONG INDUSTRIAL PROJECTS STILL TO BE
STUDIED ARE SEVERAL WHICH WILL COST OVER \$100 MILLION. THUS,
THE MEMORANDUM COMMITS IRAN TO LOANS OF APPROXIMATELY \$719
MILLION FOR PROJECTS ALREADY APPROVED AND PROVIDES A FURTHER
PROMISE OF LOANS WHICH SHOULD TOTAL WELL OVER ONE BILLION
RPT BILLION DOLLARS MORE.

3. AFGHAN OFFICIALS ARE BEING SOMEWHAT CLOSE-MOUTHED ABOUT
THE SPECIFIC DETAILS OF THIS AGREEMENT, BUT SOME FACTS ARE
AVAILABLE. ENGINEER TOUFIQI OF MINISTRY OF MINES AND INDUSTRIES
STATES CONFIDENTIALLY THAT ABOUT \$250 MILLION LOAN IS FOR HIS
INDUSTRIAL PROJECTS. THESE INCLUDE A COTTON TEXTILE PLANT IN
KANDAHAR (ABOUT \$50 MILLION), ANOTHER IN HERAT (ABOUT \$15 MILLION),
A WOOL PLANT AT KANDAHAR (ABOUT \$20 MILLION), A CEMENT PLANT
IN KANDAHAR, SUGAR PLANTS IN JALALABAD, AND A PAPER PLANT IN
NANGARHAR PROVINCE (COSTS INKNOWN). IN ADDITION TO DIRECT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KABUL 02915 101531Z

PLANT COSTS, AT LEAST A PORTION OF THE COSTS OF NEW POWER
PROJECTS TO PROVIDE ELECTRICITY FOR THE PLANTS WILL BE CHARGED
TO THIS LOAN. ENGINEER TOUFIQI WOULD NOT STATE THE TERMS OF
THE LOANS, BUT SAID THAT REPAYMENT WILL NOT BEGIN UNTIL THE
PLANTS ARE "IN FULL PRODUCTION", AND THAT THE INTEREST IS
NOMINAL. PLANNING MINISTER KHURRAM STATES THAT THE TERMS FOR
INFRA-STRUCTURE PROJECTS ARE "WORLD BANK TERMS" AT 2 1/2 PERCENT
INTEREST. THIS PRESUMABLY MEANS IDA TERMS, SINCE AFGHANISTAN IS

MOST FAMILIARY WITH THAT LOAN WINDOW, BUT MINISTER KHURRAM DID NOT FURTHER REFINE HIS EXPLANATION OR STATE WHAT THE TERMS WERE FOR NON-INFRASTRUCTURE LOANS. ONE MINISTRY OF COMMERCE OFFICIAL PROVIDED THE RUMOR THAT THE EXACT TERMS WOULD NOT BE ANNOUNCED. BECAUSE AFGHANISTAN IS RECEIVING BETTER TERMS THAN OTHER RECIEPIENTS OF IRANIAN AID AND IRAN DID NOT WISH TO CAUSE HURT FEELINGS. HE DID NOT SPECULATE WHY AFGHANISTAN WHOULD RECEIVE BETTER TREATMENT THAN OTHER RECIPIENTS.

4. ALL LEVELS OF THE GOA ARE VERY SATISFIED WITH THE RESULTS OF THE VISIT. IN THE NINE MONTHS OF FEVERISH PROJECT PREPARATION WHICH FOLLOWED THE SIGNING OF THE PROTOCOL, THERE HAD BEEN A GROWING NERVOUSNESS THAT THE IRANIAN OPEN-HANDEDNESS EVIDENT IN THE PROTOCOL MIGHT BE LESS APPARENT WHEN ACTUAL PROJECTS WERE PRESENTED FOR APPROVAL. THIS FEELING WAS REINFORCED BY RECENT REPORTS OF IRANIAN BUDGET CUT-BACKS. AFTER THIS TRIP, ALL OFFICIALS SPOKEN TO HAVE BEEN EFFUSIVE IN THEIR PRAISE OF IRANIAN GENEROSITY. SEVERAL HAVE INDICATED THAT LOANS AT THE TERMS SPECIFIED ARE CONSIDERED GRANTS IN AFGHAN EYES AND THE UNHESITATING GENEROSITY OF THE IRANIANS HAS MADE THE AFGHANS MUCH MORE OPTIMISTIC ABOUT THEIR FUTURE DEVELOPMENT PLANS.

5. MINISTER KHURRAM REPORTS THAT THE RAILROAD WAS NOT APPROVED FOR FINANCING ON THIS TRIP MERELY BECAUSE THE GOA HAD NO SOLID COST ESTIMATES FOR IT. THUS, ALL THE APPROVED PROJECTS MUST HAVE HAD AT LEAST PRELIMINARY COST AND FEASIBILITY STUDIES PERFORMED. IT IS KNOWN THAT THE INDUSTRIAL PROJECTS AND THE EXPORT PROMOTION BANK HAVE BEEN FAIRLY WELL STUDIED, AS WELL AS THE PAVING OF THE SECONF HALF OF THE ADB ROAD. THE EMBASSY IS NOT AWARE OF FORMAL FEASIBILITY STUDIES FOR THE EXTENSION OF THE HELMAND ROAD OR THE BASIS DEVELOPMENT PROGRAM IN THE LOWER HELMAND, BUT THE GOA MUST HAVE OBTAINED CONVINCING COST ESTIMATES AT LEAST TO PRESENT TO THE IRANIANS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KABUL 02915 101531Z

6. ACCORDING TO MINISTRY OF PLANNING AND MINISTRY OF MINES AND INDUSTRIES OFFICIALS, ALL THE PROJECTS APPROVED WILL BE "BEGUN" THIS YEAR, AT LEAST TO THE EXTENT OF SOME MONEY BEING SPENT ON ENGINEERING STUDIES. THEY HOPE TO BEGIN CONSTRUCTION ON ALL PROJECTS BY NEXT YEAR, AND THE INDUSTRIAL PROJECTS WILL BE COMPLETED WITHIN THREE TO FOUR YEARS, IF THE PLANNED SCHEDULE IS MET. THIS WILL MEAN A MAJOR INJECTION OF NEW CAPITAL INTO THE AFGHAN ECONOMY, PROVIDING VISIBLE EVIDENCE TO THE POPULATION OF THE BENEFITS OF THE DAOUD REGIME. IN ADDITION, THESE PROJECTS ARE LIKELY TO PROVIDE SIGNIFICANT NEW EMPLOYMENT OPPPORTUNITIES, EASING THE GROWING PROBLEM OF THE "EDUCATED UNEMPLOYED" IN AFGHANISTAN. THE GOA HAS GOOD REASON TO BE PLEASED WITH THE RESULTS OF THE TRIP.

ELIOT

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, CHIEF OF STATE VISITS, FINANCIAL CONTRIBUTIONS, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KABUL02915
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750164-1042
From: KABUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750570/aaaacivu.tel
Line Count: 169
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 KABUL 4681, 75 KABUL 2862
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUN 2003 by izenbei0>; APPROVED <21 OCT 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DAOUD'S TRIP TO IRAN: BRINGING HOME THE BACON
TAGS: EAID, EALR, AF, IR, (DAOUD, MOHAMMAD)
To: STATE TEHRAN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006